

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6712

BILL NUMBER: HB 1578

NOTE PREPARED: Jan 27, 2013

BILL AMENDED:

SUBJECT: Choice Scholarships.

FIRST AUTHOR: Rep. Smaltz

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☐ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides that, for purposes of calculating the Choice Scholarship, an individual may be eligible to receive:

1. 90% of the state tuition support amount if the individual's household income is not more than 110% of the amount required for the individual to qualify for the federal free or reduced price lunch program; or
2. 50% of the state tuition support amount if the individual's household income is not more than 160% of the amount required for the individual to qualify for the federal free or reduced price lunch program.

Effective Date: July 1, 2013.

Explanation of State Expenditures: The bill changes the qualifying income levels for both the 90% of tuition support and 50% of tuition support Choice Scholarships. Students qualify for the Choice Scholarship based on their household income relative to the household income required to be eligible for the federal free and reduced price lunch program. The bill is estimated to increase the total number of students eligible for Choice Scholarships and the total scholarship amount distributed to eligible students under the program.

The qualifying income levels under current statute and under the bill are specified in the table below along with the estimated fiscal impact of these changes in FY 2014. The table reports the net tuition support savings to the state that would not be distributed to school corporations or to the school in which the scholarship student enrolls. The current school formula provides for the unused tuition support to be distributed to school corporations and charter schools (other than virtual charter schools). The current school formula is repealed on January 1, 2014. Whether these amounts remain in the state General Fund or are distributed to school

corporations and charter schools depends on future school formulas.

Choice Scholarships were awarded to 3,911 students in the 2011-12 school year and 9,135 students in the 2012-13 school year. The fiscal impact estimate assumes that 12,000 students will receive the scholarship in the 2013-14 school year. The impact in future years would depend on growth in the tuition support amount and growth in the use of the Choice Scholarship.

Eligibility Criteria*	Scholarship Level	Number of Scholarships	Amount of Choice Scholarship Granted**	Amount of Tuition Support Savings**	Net Tuition Support Savings**
Current Law					
Maximum 100% FRPL Qualifying Income	90% of Tuition Support	9,743	\$42.5 M	\$54.6 M	\$12.1 M
Greater than 100% up to a Maximum 150% FRPL Qualifying Income	50% of Tuition Support	2,257	\$6.5 M	\$12.6 M	\$6.2 M
Proposed					
Maximum 110% FRPL Qualifying Income	90% of Tuition Support	10,458	\$45.6 M	\$58.6 M	\$12.9 M
Greater than 110% up to a Maximum 160% FRPL Qualifying Income	50% of Tuition Support	2,146	\$6.2 M	\$12.0 M	\$5.8 M
Impact	90% of Tuition Support	715	\$3.1 M	\$4.0 M	\$0.9 M
	50% of Tuition Support	-111	-\$0.3 M	-\$0.6 M	-\$0.3 M
Net Impact		604	\$2.8 M	\$3.4 M	\$0.6 M
*FRPL is federal free and reduced price lunch. **The analysis assumes the average state tuition support per student for the regular program (= \$5,600). It also uses the average statewide Choice Scholarship awarded for each level in FY 2013.					

Background: The maximum number of scholarships for the 2011-12 school year was 7,500, and the maximum number of scholarships for the 2012-13 school year is 15,000. The following table shows the number of

scholarships and value of those scholarships for FY 2012 and FY 2013. Starting in FY 2014 there is no limit on the number of vouchers that could be offered statewide.

Fiscal Year	Number of Scholarships	Value of Scholarships	Average Scholarship
2012	3,911	\$ 15.6 M	\$3,988.75
2013	9,135	\$37.3 M	\$4,083.18

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: The bill would decrease the state tuition support revenue for local schools to the extent that more students will leave public school and receive a Choice Scholarship. The impact in FY 2014 is estimated to be \$3.4 M. The impact is estimated to grow in future years.

State Agencies Affected: Department of Education.

Local Agencies Affected: School Corporations.

Information Sources: Indiana Department of Education, K-12 Education Data, <http://compass.doe.in.gov/dashboard/overview.aspx> ; OFMA Income Tax database, 2010; U.S Department of Health & Human Services, 2012 HHS Poverty Guidelines, <http://aspe.hhs.gov/poverty/12poverty.shtml>

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